



Department of Housing and Urban Development – Mel Martinez, Secretary
Office of Public Affairs, Washington, DC 20410

HUD No. 01-046
212-264-1100
<http://www.hud.gov/news.html>

FOR RELEASE
Friday
May 11, 2001

HUD UNVEILS PLAN TO REVITALIZE 203(k) PROPERTIES IN NEW YORK

WASHINGTON – Hundreds of properties in New York City that have fallen prey to unscrupulous lenders and not-for-profit groups will be resold or rehabilitated under a plan announced today by the U.S. Department of Housing and Urban Development.

The plan concerns 719 multi-family properties in Brooklyn, Harlem and the Bronx sold under HUD's 203(k) mortgage insurance program. The properties were sold often at inflated prices to 54 non-profit organizations from 1998-99. Nearly all of the properties are currently in or at risk of default. These properties will now be sold to for-profit groups, certified non-profit organizations and moderate-income homebuyers.

“Our objectives are to revitalize these areas while maintaining a market that does price homes beyond the reach of middle- to low-income renters and property owners,” HUD Secretary Mel Martinez explained. “We believe our approach accomplishes both objectives and helps keep the more than 1,500 families affected by the process living in their homes or apartments.”

Under the plan HUD will:

- Protect all current legal tenants and offer them affordable leases;
- Pay families' temporary relocation expenses;
- Preserve rental housing in legal Single Resident Occupancy buildings;
- Pay an estimated \$80 million to rehabilitate leaky roofs, faulty sprinkler systems and inadequate heat, water and other utility systems;
- Invest \$25 million for affordable home ownership through Purchase Money Mortgages and affordability discounts.

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- Take possession of homes once they have been foreclosed; and,
- Permit immediate pre-foreclosure sales to responsible, qualified purchasers, who will be subject to prior review by the Department of Justice, U.S. Attorney's Office and HUD Investigator General.

Section 203(k) insurance enables homebuyers and homeowners to finance both the purchase or refinancing of a house and the cost of its rehabilitation through a single mortgage.

Two years ago, HUD began uncovering unscrupulous lenders, appraisers, developers and not-for-profit groups who were looting mortgages insured by HUD's Federal Housing Administration. The FHA referred their findings to HUD's Inspector General for criminal investigation. The IG, the U.S. Attorney for the Eastern District, the New York State Attorney General and the Manhattan District Attorney have announced criminal indictments against dozens of individuals involved in the fraudulent mortgage activity with others still to come.

"We're going to add more monitoring and a number of other controls to prevent fraud like this from ever happening again," Martinez said.

HUD has also assigned a 203(k) project leader and support staff to work in HUD's New York field office to implement the plan and ensure that any concerns are promptly addressed.

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